

DIRECT TESTIMONY

OF

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Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Proposed General Increase in Gas Rates

Central Illinois Light Company

Docket No. 02-0837

March 20, 2003

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Witness Identification

Q. Please state your name and business address.

A. My name is Bonita A. Pearce. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am currently employed as an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission ("ICC" or "Commission").

Q. Please describe your professional background and affiliations.

A. I am a licensed Certified Public Accountant with a Bachelor of Science in Accountancy from Illinois State University. Prior to joining the Commission in March 2001, I was engaged in the practice of public accounting for sixteen years. I am a member of the American Institute of Certified Public Accountants and the Illinois CPA Society.

Q. Have you previously testified before any regulatory bodies?

A. Yes. I have testified on several occasions before the Commission.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to:

1. present the Commission Staff's adjusted operating statements and Rate Base of the Company;
2. propose adjustments to the Company's Rate Base concerning the pro forma adjustments proposed by the Company for YTD September 2002 Gas Plant Additions and AM/FM Gas Mapping, as well as, Materials and Supplies Inventories, Customer Deposits and Budget Payment Plan Balances; and
3. propose adjustments to the Company's operating statement concerning expenses related to Interest Expense on Customer Deposits, Amortization expense, Depreciation expense, and the Company's adjustment for the tax effect of their operating income adjustment.

Schedule Identification

Q. Are you sponsoring any schedules with your testimony?

A. Yes. I prepared the following schedules that show data as of, or for the test year ending, December 31, 2001:

REVENUE REQUIREMENT SCHEDULES:

43	Schedule 1.1	Statement of Operating Income with Adjustments
44	Schedule 1.2	Adjustments to Operating Income
45	Schedule 1.3	Rate Base
46	Schedule 1.4	Adjustments to Rate Base
47	Schedule 1.5	Interest Synchronization Adjustment
48	Schedule 1.6	Gross Revenue Conversion Factor

49 ADJUSTMENT SCHEDULES

50	Schedule 1.7	Adjustment to YTD September 2002 Gas Plant Additions
51		and Related Depreciation Expense
52	Schedule 1.8	Adjustment to AM/FM Gas Mapping Pro Forma and
53		Related Amortization Expense
54	Schedule 1.9	Adjustment to Materials and Supplies Inventories
55	Schedule 1.10	Adjustment to Customer Deposits and Related Interest
56		Expense
57	Schedule 1.11	Adjustment to Budget Payment Plan Balances

58

59 Revenue Requirement Schedules

- 60 Q. Please describe Schedule 1.1, Statement of Operating Income with
- 61 Adjustments.
- 62 A. Schedule 1.1 derives the required revenue at the Staff proposed Rate of
- 63 Return. Column (b) presents the Company's pro forma operating statement

at present rates for the test year as reflected on its Schedule C-1. Staff has adjusted the Company's amounts to reflect other revenues, PGA revenues and costs, and uncollectibles expense separately. Column (c) reflects the total of all Staff adjustments shown on Schedule 1.2. Column (d) reflects the pro forma operating statement at present rates per Staff. Column (e) presents the Company's Proposed Increase to revenue. Column (f) adjusts revenue to reflect Staff's Gross Revenue Conversion Factor. Column (g) is Staff's pro forma operating statement inclusive of the Company's proposed revenue increase. Column (h) is the necessary reduction from the Company's proposed revenues, adjusted for Staff's Gross Revenue Conversion Factor, to arrive at Staff's computed Revenue Requirement reflected in column (i). Net Operating Income in column (i), line 23, is the product of Rate Base, line 24, and Rate of Return, line 25. Column (i), line 26, presents the difference between the Company's proposed revenue requirement and Staff's proposed revenue requirement. Column (i), line 27, presents this difference as a percentage of the Company's proposed revenue requirement presented in Column (b), line 4.

Q. Please describe Schedule 1.2, Adjustments to Operating Income.

A. Schedule 1.2 identifies Staff's adjustment to Operating Income. The source of each adjustment is shown in the heading of each column. Column (q) from page 2 is carried forward to Schedule 1.1, column (c).

Q. Please describe Schedule 1.3, Rate Base.

A. Schedule 1.3 compiles Staff's Rate Base. Column (b) reflects the Company's proposed Rate Base. Column (c) summarizes Staff's adjustment to Rate Base. Column (d) is the net of columns (b) and (c), and reflects Staff's computed Rate Base.

Q. Please describe Schedule 1.4, Adjustments to Rate Base.

A. Schedule 1.4 identifies Staff's adjustments to Rate Base. The source of each adjustment is shown in the heading of each column. Column (i) is carried forward to Schedule 1.3, column (c).

Interest Synchronization Adjustment

Q. Please describe Schedule 1.5, Interest Synchronization Adjustment.

A. Schedule 1.5 computes the interest component of Revenue Requirement. The Interest Expense (component) is computed by multiplying the Rate Base by Weighted Cost of Debt. The calculated Interest Expense is then compared against the Interest Expense used by the Company in its

computation of test year Income Tax Expense. The tax effect of the difference in Interest Expense is the adjustment for Interest Synchronization. The effect of this adjustment is to ensure that the Revenue Requirement reflects the tax savings generated by the interest component of Revenue Requirement.

Gross Revenue Conversion Factor

Q. Please describe Schedule 1.6, Gross Revenue Conversion Factor.

A. Schedule 1.6 presents my proposed adjustment to the Gross Revenue Conversion Factor ("GRCF") to reflect a more appropriate rate for uncollectibles. The GRCF is applied to the operating income deficiency to derive the total amount of revenue required for the income deficiency and the associated increase in income tax expense and uncollectible expense change. It is based upon the applicable federal tax rate, State income tax rate, and uncollectible rate. The GRCF is used in the calculation of the Revenue Requirement in columns (f) through (h) of Schedule 1.1.

Q. Are you proposing any adjustment to the GRCF as presented by the Company?

A. Yes. My schedule reflects the Uncollectible rate of .6100% as recommended in the testimony of Staff witness Dianna Hathhorn (ICC Staff Exhibit 2).

126

127 Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation
128 Expense

129 Q. Please describe Schedule 1.7, Adjustment to YTD September 2002 Gas
130 Plant Additions and Related Depreciation Expense.

131 A. Schedule 1.7 reflects my adjustment to remove from Rate Base certain plant
132 additions that were inadvertently duplicated by the Company in its filing as
133 part of the pro forma adjustment for YTD September 2002 gas plant
134 additions and as CWIP. Schedule 1.7 also presents the corresponding
135 impact on depreciation expense that resulted from the reduction in Rate
136 Base for the duplicate additions.

137

138 Adjustment to AM/FM Gas Mapping Pro Forma and Related Amortization Expense

139 Q. Please describe Schedule 1.8, Adjustment to AM/FM Gas Mapping Pro
140 Forma and Related Amortization Expense.

141 A. Schedule 1.8 reflects my adjustment to remove from Rate Base a portion of
142 the pro forma adjustment that is based on budgeted amounts for 2003. My
143 proposed adjustment limits the pro forma adjustment to the actual costs
144 incurred by the Company through 2002. Schedule 1.8 also presents the
145 corresponding impact on amortization expense that resulted from the
146 disallowed portion of the AM/FM Gas Mapping Pro Forma adjustment
147 proposed by the Company.

148

Adjustment to Materials and Supplies Inventories

Q. Please describe Schedule 1.9, Adjustment to Materials and Supplies Inventories.

A. Schedule 1.9 presents my proposed adjustment to correct an error in the average balance of materials and supplies and to reduce the Company's test year materials and supplies inventories amount by the associated accounts payable. My adjustment limits the amount of materials and supplies inventories reflected in rate base to the amount that has been funded by investors. The Company did not deduct accounts payable from materials and supplies. Accounts payable are an integral component of a utility's materials and supplies inventory. An account payable represents "vendor financing" of purchased merchandise until it has been paid in full. Since the vendor is financing these purchases until paid, the investors have no investment in the related materials and supplies. The materials and supplies inventories included in rate base should be reduced by the amount of accounts payable related to the inventories because the Company should not earn a return on inventory until it has been funded by the investors. My proposed adjustment limits the portion of materials and supplies on which the Company is entitled to earn a return to the portion that represents a cash investment by the Company.

Q. Has the Commission found this to be a reasonable adjustment prior to this

171 case?

172 A. Yes. The following is a list of cases where Staff proposed this adjustment
173 and the Commission accepted it over the objections of the Companies:

- 174 • CILCO Delivery Service Tariffs ("DST"), Docket Nos. 99-
175 0119/99-0131 (Consolidated);
- 176
- 177 • Commonwealth Edison Company DST, Docket No. 99-0117;
- 178
- 179 • The Peoples Gas Light and Coke Company Rate Case,
180 Docket No. 95-0032; and
- 181
- 182 • North Shore Gas Company Rate Case, Docket No. 95-0031.

183

184 Adjustment to Customer Deposits and Related Interest Expense

185 Q. Please describe Schedule 1.10, Adjustment to Customer Deposits and
186 Related Interest Expense.

187 A. Schedule 1.10 presents my proposed adjustment to reflect in the Company's
188 test year rate base the 13-month average balance of customer deposits
189 rather than the year-end balance that was reflected by the Company in its
190 filing. The use of a 13-month average is more representative of the test year
191 activity. Schedule 1.10 also presents my proposed adjustment to reflect the
192 Company's test year interest expense on customer deposits. The Company
193 calculated average interest for the test year on Schedule B-5.2, line 14,
194 column (d), however, this interest expense was not reflected in the
195 Company's filing. My proposed adjustment increases test year operating
196 expense to reflect interest expense on customer deposits using the current

rate of interest approved by the Commission in Docket No. 02-0835.

Adjustment to Budget Payment Plan Balances

Q. Please describe Schedule 1.11, Adjustment to Budget Payment Plan Balances.

A. Schedule 1.11 reflects my adjustment to remove from Rate Base a portion of Budget Payment Plan Balances to reflect a 13-month average versus the 12-month average that was reflected by the Company in its filing. The Company described a 13-month calculation on Schedule B-5.2, line 15, column (c), however, the total includes only 12 months of balances, from January through December 2001. A 13-month average includes the balance at the beginning of the test year, (the ending December 31, 2000 balance, or beginning balance at January 1, 2001) and the 12 ending balances for each month of the test year. To exclude the December 2000 balance is to exclude the January 2001 activity from the calculation of the average. My proposed adjustment includes 13 months' ending balances so that the entire test year activity is considered.

Other Concerns

Q. Do you have any other concerns regarding the Company's filing?

A. Yes. Based on the responses to data requests BAP-030 and BAP-033, received March 17, 2003, I have concerns that require follow-up.

219

220 In the response to data request BAP-030 the Company indicated that they
221 received a \$98,593.68 contribution from Anadarko, applied to the cost of a
222 geological survey project at the Company's Lincoln storage field. The
223 response indicates that gas plant was reduced accordingly, as a result of this
224 contribution. However, the response does not indicate how that amount was
225 determined, what type of agreement with Anadarko gave rise to the
226 contribution, nor does the Company provide any supporting documents for
227 this transaction. The Company needs to provide Staff with this information.

228

229 The response to data request BAP-033 (f) and (g) states that the Company
230 identified an error while preparing the response, and is preparing an erratum
231 to reflect the correction. The Company provided no description of the error,
232 nor did it quantify the amount, or indicate the impact on the filing. The
233 Company needs to provide this information.

234

235 I will issue additional data requests to obtain the aforementioned information
236 from the Company. After the Company responds, I may propose future
237 adjustments related to utility plant in service and related depreciation and
238 amortization expense.

239

240 Additionally, I will issue a data request concerning the accounting treatment

of reimbursements the Company received from the Illinois Department of Transportation for the Route 116 road-widening project. Based on my understanding from discussions with the Company, those reimbursements were recorded as an increase to accumulated depreciation instead of being applied against the utility plant balance, as required by the Uniform System of Accounts for Gas Utilities. I will evaluate the accounting treatment utilized by the Company and the impact on the calculation of depreciation expense in the Company's filing. As a result, I may propose additional adjustments related to utility plant in service and related depreciation and amortization expense.

Original Cost Determination

Q. What do you propose regarding an original cost determination?

A. Staff requests that the Commission include the following provision in this proceeding's order:

It is further ordered that the original cost of plant at December 31, 2001, as reflected in Staff Exhibit 1, Schedule 1.3, of \$194,074,000 is unconditionally approved as the original cost of plant for consideration of 83 Ill. Adm. Code 510.APPENDIX A:

- 1. Journal vouchers and journal entries charging plant accounts (#12.b.1); and**
- 2. Records of predecessors and former associates (#73).**

264

265 Depreciation Study Recommendation

266 Q. Have you reviewed the depreciation rates that the Company used in this
267 proceeding?

268 A. Yes, I have. I reviewed the Depreciation study completed by American
269 Appraisal Associates based on plant and reserve balances at December 31,
270 1991. Since depreciation expense has one of the largest impacts on the
271 Company's net income, revenue requirement, and rate base, it is important
272 that these rates be appropriate.

273

274 Q. Are you proposing any changes to the Company's depreciation lives?

275 A. I am not proposing any changes at the present time. However, since it has
276 been 11 years since the Company's previous study was performed, I
277 recommend the Commission direct the Company to perform a depreciation
278 study prior to its next electric or gas rate proceeding. Furthermore, I
279 recommend that depreciation studies submitted to the Commission to
280 support future electric and gas rate proceedings be no more than five years
281 old.

282

283 Q. Has the Commission required other utilities to conduct depreciation studies?

284 A. Yes. In Docket No. 95-0032, order dated November 8, 1995, the
285 Commission placed the Peoples Gas Light and Coke Company on a five-
286 year schedule for conducting its depreciation study. Additionally, in Docket
287 No. 89-0276, order dated June 6, 1990, Illinois Power Company was ordered
288 to perform a depreciation study prior to its next electric rate case.

289

290 Conclusion

291 Q. Does this question end your prepared direct testimony?

292 A. Yes.

Central Illinois Light Company
Statement of Operating Income with Adjustments
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Company Pro Forma Present Schedule C-1	Staff Adjustments Sched. 2, p.2	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Source)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenues	\$ 74,936	\$ -	\$ 74,936	\$ 13,961	\$ 51	\$ 88,948	\$ (4,501)	\$ 84,447
2	Interdept. Sales and Other Revenues	3,024	-	3,024	-	-	3,024	-	3,024
3	PGA Revenues	210,864	-	210,864	-	-	210,864	-	210,864
4	Total Operating Revenue	288,824	-	288,824	13,961	51	302,836	(4,501)	298,335
5	Uncollectible Expense	2,762	(999)	1,763	35	(35)	1,763	(27)	1,736
6	Cost of gas	1,125	(4)	1,121	-	-	1,121	-	1,121
7	PGA Cost of Gas	201,997	-	201,997	-	-	201,997	-	201,997
8	Other storage expenses	182	(1)	181	-	-	181	-	181
9	Transmission expenses	1,236	(38)	1,198	-	-	1,198	-	1,198
10	Distribution expenses	11,494	(75)	11,419	-	-	11,419	-	11,419
11	Customer accounts expenses	6,236	12	6,248	-	-	6,248	-	6,248
12	Customer service and info. expenses	303	-	303	-	-	303	-	303
13	Sales expenses	557	(104)	453	-	-	453	-	453
14	Administrative and general expenses	17,462	(135)	17,327	-	-	17,327	-	17,327
15	Depreciaton and amortization	22,350	(154)	22,196	-	-	22,196	-	22,196
16	General taxes	11,028	(8)	11,020	-	-	11,020	-	11,020
17	Total Operating Expense								
18	Before Income Taxes	276,732	(1,506)	275,226	35	(35)	275,226	(27)	275,199
19	State Income Tax	1,070	176	1,246	1,000	-	2,246	(321)	1,925
20	Federal Income Tax	5,497	793	6,290	4,524	-	10,814	(1,453)	9,361
21	Deferred Taxes and ITCs Net	(4,005)	-	(4,005)	-	-	(4,005)	-	(4,005)
22	Total Operating Expenses	279,294	(537)	278,757	5,559	(35)	284,281	(1,801)	282,480
23	NET OPERATING INCOME	\$ 9,530	\$ 537	\$ 10,067	\$ 8,402	\$ 86	\$ 18,555	\$ (2,700)	\$ 15,855
24	Staff Rate Base (ICC Staff Exhibit 1, Schedule 1.3, Column (d))								\$ 194,074
25	Staff Overall Rate of Return (ICC Staff Exhibit 3, Schedule 3.1)								8.17%
26	Revenue Change (Col. (i) Line 4 minus Col. (d), Line 4)								\$ 9,511
27	Percentage Revenue Change (Col. (i), Line 26 divided by Col. (d), Line 4)								3.29%

Central Illinois Light Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Interest Synchronization (ICC St. Ex. 1 (Sched. 1.5))	Interest On Customer Deposits (ICC St. Ex. 1 Sched. 1.10)	Amortization Expense (ICC St. Ex. 1 Sched. 1.8)	Depreciation Expense (ICC St. Ex. 1 Sched. 1.7)	Rate Case Expense (ICC St. Ex. 2 Sched. 2.1)	Union Payroll Increase (ICC St. Ex. 2 Sched. 2.2)	Non-Recurring Expense (ICC St. Ex. 2 Sched. 2.3)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Interdept. Sales and Other Revenues	-	-	-	-	-	-	-	-
3	PGA Revenues	-	-	-	-	-	-	-	-
4	Total Operating Revenue	-	-	-	-	-	-	-	-
5	Uncollectible Expense								-
6	Cost of gas	-	-	-	-	-	(4)	-	(4)
7	PGA Cost of Gas	-	-	-	-	-	-	-	-
8	Other storage expenses	-	-	-	-	-	(1)	-	(1)
9	Transmission expenses	-	-	-	-	-	(7)	(31)	(38)
10	Distribution expenses	-	-	-	-	-	(75)	-	(75)
11	Customer accounts expenses	-	20	-	-	-	(8)	-	12
12	Customer service and info. expenses	-	-	-	-	-	-	-	-
13	Sales expenses	-	-	-	-	-	-	-	-
14	Administrative and general expenses	-	-	-	-	(135)	-	-	(135)
15	Depreciaton and amortization	-	-	(76)	(78)	-	-	-	(154)
16	General taxes	-	-	-	-	-	-	-	-
17	Total Operating Expense								
18	Before Income Taxes	-	20	(76)	(78)	(135)	(95)	(31)	(395)
19	State Income Tax	67	(1)	5	6	10	7	2	96
20	Federal Income Tax	303	(6)	25	25	44	31	10	432
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	370	13	(46)	(47)	(81)	(57)	(19)	133
23	NET OPERATING INCOME	\$ (370)	\$ (13)	\$ 46	\$ 47	\$ 81	\$ 57	\$ 19	\$ (133)

Central Illinois Light Company
Adjustments to Operating Income
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Subtotal Operating Statement Adjustments	Uncollectibles Expense (ICC St. Ex. 2 Sched. 2.4)	Incentive Compensation (ICC St. Ex. 2 Sched. 2.5)	(Source)	(Source)	(Source)	(Source)	Total Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenues	\$ -	\$ -	\$ -				\$ -	\$ -
2	Interdept. Sales and Other Revenues	-	-	-	-	-	-	-	-
3	PGA Revenues	-	-	-	-	-	-	-	-
4	Total Operating Revenue	-	-	-	-	-	-	-	-
5	Uncollectible Expense	-	(999)						(999)
6	Cost of gas	(4)	-	-	-	-	-	-	(4)
7	PGA Cost of Gas	-	-	-	-	-	-	-	-
8	Other storage expenses	(1)	-	-	-	-	-	-	(1)
9	Transmission expenses	(38)	-	-	-	-	-	-	(38)
10	Distribution expenses	(75)	-	-	-	-	-	-	(75)
11	Customer accounts expenses	12	-	-	-	-	-	-	12
12	Customer service and info. expenses	-	-	-	-	-	-	-	-
13	Sales expenses	-	-	(104)	-	-	-	-	(104)
14	Administrative and general expenses	(135)	-	-	-	-	-	-	(135)
15	Depreciaton and amortization	(154)	-	-	-	-	-	-	(154)
16	General Taxes	-	-	(8)	-	-	-	-	(8)
17	Total Operating Expense								
18	Before Income Taxes	(395)	(999)	(112)	-	-	-	-	(1,506)
19	State Income Tax	96	72	8	-	-	-	-	176
20	Federal Income Tax	432	325	36	-	-	-	-	793
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	133	(602)	(68)	-	-	-	-	(537)
23	NET OPERATING INCOME	\$ (133)	\$ 602	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ 537

Central Illinois Light Company
Rate Base
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Company Pro Forma Rate Base Schedule B-1	Staff Adjustments (St. Ex. 1 Sch 1.4)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Gross utility plant in service	\$ 471,025	\$ (2,561)	\$ 468,464
2	Less accum. deprec. and amort.	(263,100)	-	(263,100)
3	CWIP without AFUDC	6,899	-	6,899
4	Net Plant	214,824	(2,561)	212,263
5	Additions to Rate Base			
6	Working capital allowance	24,824	(6,405)	18,419
7	Budget plan balances	561	(16)	545
8				
9				
10				
11				
12				
13				
14				
15				
16	Deductions From Rate Base			
17	Accum. deferred income taxes	(28,038)	-	(28,038)
18	Customer advances for construction	(1,996)	-	(1,996)
19	Customer deposits	(1,504)	187	(1,317)
20	Pre-1971 ITC's	(22)	-	(22)
21	Unfunded pension costs	(5,780)	-	(5,780)
22				
23	Rate Base	<u>\$ 202,869</u>	<u>\$ (8,795)</u>	<u>\$ 194,074</u>

Central Illinois Light Company
Adjustments to Rate Base
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	YTD Sept. Gas Plant Additions ICC St. Ex. 1 Sched. 1.7	AM/FM Gas Mapping Pro Forma ICC St. Ex. 1 Sched. 1.8	Materials & Supplies Inv. ICC St. Ex. 1 Sched. 1.9	Customer Deposits ICC St. Ex. 1 Sched. 1.10	Budget Payment Plan Balances ICC St. Ex. 1 Sched. 1.11	Gas Stored Underground ICC St. Ex. 5 Sched. 5.1	(Source)	Total Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Gross utility plant in service	\$ (1,800)	\$ (761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,561)
2	Less accum. deprec. and amort.	-	-	-	-	-	-	-	-
3	CWIP without AFUDC	-	-	-	-	-	-	-	-
4	Net Plant	(1,800)	(761)	-	-	-	-	-	(2,561)
5	Additions to Rate Base								
6	Working capital allowance	-	-	(80)	-	-	(6,325)	-	(6,405)
7	Budget plan balances	-	-	-	-	(16)	-	-	(16)
8									-
9									-
10									-
11									-
12									-
13									-
14									-
15									-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Accum. deferred income taxes	-	-	-	-	-	-	-	-
18	Customer advances for construction	-	-	-	-	-	-	-	-
19	Customer deposits	-	-	-	187	-	-	-	187
20	Pre-1971 ITC's	-	-	-	-	-	-	-	-
21	Unfunded pension costs	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-
23	Rate Base	\$ (1,800)	\$ (761)	\$ (80)	\$ 187	\$ (16)	\$ (6,325)	\$ -	\$ (8,795)

Central Illinois Light Company
Interest Synchronization Adjustment
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Amount	
	(a)	(b)	
1	Rate Base Per Staff	\$ 194,074	(1)
2	Weighted Cost of Debt	2.73%	(2)
3	Synchronized Interest Per Staff	5,298	
4	Company Interest Expense	<u>6,231</u>	(3)
5	Increase (Decrease) in Interest Expense	<u>(933)</u>	
6	Increase (Decrease) in State Income Tax Expense		
7	at 7.180%	<u>\$ 67</u>	
8	Increase (Decrease) in Federal Income Tax Expense		
9	at 35.000%	<u>\$ 303</u>	

(1) Source: ICC Staff Ex. 1, Schedule 1.3, Column (d).

(2) Source: ICC Staff Exhibit 3, Schedule 3.1.

(3) Source: Company Schedule C-3.1.

Central Illinois Light Company
Gross Revenue Conversion Factor
For the Test Year Ending December 31, 2001
(In Thousands)

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6100%	<u>0.006100</u>	
3	State Taxable Income		0.993900	1.000000
4	State Income Tax	7.1800%	<u>0.071362</u>	<u>0.071800</u>
5	Federal Taxable Income		0.922538	0.928200
6	Federal Income Tax	35.0000%	<u>0.322888</u>	<u>0.324870</u>
7	Operating Income		<u>0.599650</u>	<u>0.603330</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.667639</u>	<u>1.657468</u>

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Rate Base Adjustment:</u>		
1	YTD Sept. 2002 Gas Plant Additions, per Staff	\$ 48	(1)
2	YTD Sept. 2002 Gas Plant Additions, per Company	<u>1,848</u>	(2)
3	Staff Proposed Adjustment - Plant in Service	<u><u>\$ (1,800)</u></u>	(3)

(1) Source: ICC Staff Exhibit 1, Schedule 1.7, page 2 of 6, line 5, col. (c).

(2) Source: Company Schedule B-2.1, line 5, column (d).

(3) Source: Line 1 less line 2.

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description	Project 8141646	Amount	Source
	(a)	(b)	(c)	(d)
1	New Closings in 2002 Per Company		\$ 56	(1)
2	Less: Project 8141646	\$10		(2)
3	Est. Retirements 24%	<u>2</u>		(3)
4	Net Effect of Project 8141646		<u>8</u>	(4)
5	New Closings in 2002 Per Staff		<u><u>\$ 48</u></u>	(5)

- (1) Source: Company response to data request BAP-028, page 2 of 2, line 135, col (h).
(2) Source: Company response to data request BAP-028, page 2 of 2, line 97, col (f), and
Company Schedule B-4.1, CWIP, page 6 of 6, line 363, col. (e).
(3) Source: Company WP B-2.1, page 2 of 2, line 147.
(4) Source: Line 2 less line 3.
(5) Source: Line 1 less line 4.

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Operating Statement Adjustment:</u>		
1	YTD Gas Plant Additions Depreciation Expense increase per Staff	\$ 3	(1)
2	YTD Gas Plant Additions Depreciation Expense increase per Company	<u>81</u>	(2)
3	Staff Proposed Adjustment - Depreciation Expense	<u><u>\$ (78)</u></u>	(3)

- (1) Source: ICC Staff Exhibit 1, Schedule 1.7, page 6 of 6, line 49.
(2) Company Schedule B-3.1, line 5, column (f)
(3) Line 1 minus line 2

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001

Line	Project	Project Name	Functional Area			Source
			Transmission	Distribution	General	
	(a)	(b)	(c)	(d)	(e)	(f)
1	8123147	6" ST RT 116 FARMNTN 411N	\$1,079.89			(1)
2	8123194	4ST INLETTOX 443WASH 096	(29,084.83)			(1)
3	8123196	NEW GRND BED WASHBU 312	1,359.64			(1)
4	8123205	PMP PERM Y182 232N		\$1,769.90		(1)
5	8123225	CROSS CREEK FARMS 211		2,173.00		(1)
6	8123231	CALVIN FRITZ ELEVATR273		12,910.28		(1)
7	8123244	MEDINA VLY COGEN MTR 219		(32,916.24)		(1)
8	8123314	1/2" PL SRVS NORTH/FLOREN 123		17.86		(1)
9	8123342	1/2" PL FLORENCE AVE 137		11,064.00		(1)
10	8123352	1/2" SRVS CILCO CRD UN REN 143		22.72		(1)
11	8123354	1/2" PL SERVS SHRDN & NMOOR 145		(11,064.00)		(1)
12	8123355	1/2" PL SERVS NORTHMOOR HL 146		(24,565.71)		(1)
13	8123360	1" SERVS MADISON PK 151		136.88		(1)
14	8123361	JOANNE HILLS SERV 152		34.80		(1)
15	8123479	2" PL STONEGATE 30		9,973.99		(1)
16	8123481	2" PL THORNRIDGE SUBD 004		13,254.76		(1)
17	8123488	2" PL CHADWICK PLACE 051		52.58		(1)
18	8123490	2" PL RIVERWEST SUBD 067		6,990.28		(1)
19	8123612	4" PL FLORENCE AVE PEORIA 429		261.31		(1)
20	8123632	2" PL JOANNE HILLS 011		7,189.53		(1)

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001

Line	Project	Project Name	Functional Area			Source
			Transmission	Distribution	General	
	(a)	(b)	(c)	(d)	(e)	(f)
21	8123633	4" PL JOANNE HILLS 013		2,006.56		(1)
22	8123661	4" PL MN MT HAWLEY REN 357		286.54		(1)
23	8123663	2" PL CILCO CRD UN REN 358		9.04		(1)
24	8123670	8" STL MN SHRD & NMOOR 372		32,700.65		(1)
25	8123671	2" PL MN SHRDN & NMOOR 373		(32,628.08)		(1)
26	8123672	2" PL NORTHMOOR HILLS 375		37,540.02		(1)
27	8123696	2" PL MADISON PK REN 063		1,735.76		(1)
28	8123701	4" PL LAKE WHITEHURST 054		2.19		(1)
29	8123724	4" PL FANDEL RD 403		7,684.36		(1)
30	8141019	OPERATOR NORTHGATE PERSIMMON			\$4,577.00	(1)
31	8141020	RPL LIGHTS GARAGE PERSIMMON			8,397.43	(1)
32	8141027	RPL 2ND FLOOR ROOF PERSIMMON			46,750.00	(1)
33	8223421	4" PL RIVERWAY PEKIN 75		5,000.00		(1)
34	8223424	4" PL RIVERSIDE PH 2 85		(6,532.30)		(1)
35	8223603	6 PLC OUTLET X443 WASH 094		(23,385.42)		(1)
36	8223606	GRND BED ELMWOOD 318		106.96		(1)
37	8223619	4" PL ALLISON RENW 339		355.59		(1)
38	8223620	2" PL ALLISON RENW 340		782.71		(1)
39	8223632	1-1/4" PL CAMBRIDGE PEO 027		7,040.81		(1)
40	8623726	4" PL NORTHFIELD 3 308		(193.61)		(1)

Central Illinois Light Company
Adjustment to YTD September 2002 Gas Plant Additions and Related Depreciation Expense
For the Test Year Ended December 31, 2001

Line	Project (a)	Project Name (b)	Functional Area			Source (f)
			Transmission (c)	Distribution (d)	General (e)	
41	8823529	TUSCOLA TBS XT-38 48		1,004.96		(1)
42		Totals by functional area	(\$26,645.30)	\$30,822.68	\$59,724.43	Lines 1 to 41
43		Applicable Depreciation Rate	2.44%	4.82%	3.81%	(2)
44		Depreciation Expense - New Closings	(\$650.15)	\$1,485.65	\$2,275.50	(3)

(1) Source: Company response to data request BAP-028, pages 1 and 2, New closings, column (h).

(2) Source: Schedule B-3.1, column (e).

(3) Source: Line 42 multiplied by line 43. Total for all functional areas:

45	Transmission	(\$650.15)
46	Distribution	1,485.65
47	General	2,275.50
48	Total depreciation for new closings	\$3,111.00
49	Total depreciation for new closings (Rounded)	\$3

Central Illinois Light Company
Adjustment to AM/FM Gas Mapping Pro Forma and Related Amortization Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Rate Base Adjustment:</u>		
1	AM/FM Gas Mapping Pro Forma, per Staff	\$ 2,241	(1)
2	AM/FM Gas Mapping Pro Forma, per Company	<u>3,002</u>	(2)
3	Staff Proposed Adjustment - Plant in Service	<u><u>\$ (761)</u></u>	(3)

(1) Source: Company response to data request BAP-009, parts a and b:
Phase 2 actual 2002 costs \$ 590
Phase 3 actual 2002 costs 1,651
\$ 2,241

(2) Source: Company Schedule B-2.1, line 9, column (d).

(3) Source: Line 1 less line 2.

Central Illinois Light Company
Adjustment to AM/FM Gas Mapping Pro Forma and Related Amortization Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
	<u>Operating Statement Adjustments:</u>		
1	Pro Forma Adjustments to Intangible Assets:		
2	AM/FM Gas Mapping Pro Forma per Staff	\$2,241	ICC Staff Exhibit 1, Schedule 1.8, page 1 of 2, line 1.
		<hr/>	
3	Annual Amortization Expense increase per Staff	224	Line 2 divided by 5 * 1/2 year
4	Annual Amortization Expense increase per Company	<hr/> 300	Company Schedule B-3.1, line 9, column (f).
5	Staff Proposed Adjustment - Amortization Expense	<hr/> <hr/> (\$76)	Line 3 minus line 4

Central Illinois Light Company
Adjustment to Materials and Supplies Inventories
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Materials and Supplies, per Staff:		
2	Materials and Supplies	\$ 1,645	(1)
3	Less Accounts Payable	143	(2)
4	Total Materials and Supplies, per Staff	<u>1,502</u>	(3)
5	Materials and Supplies, per Company	<u>1,582</u>	(4)
6	Staff Proposed Adjustment - Materials and Supplies	<u><u>\$ (80)</u></u>	(5)

(1) Source: Revised Company Schedule B-5.1, line 15, column (b)-REVISED.

(2) Source: Company Response to ICC Data Request CIL-060, page 1 of 4, line 15, column (c).

(3) Source: Line 2 less line 3.

(4) Source: Company Schedule B-5, line 1, column (c).

Central Illinois Light Company
 Adjustment to Customer Deposits and Related Interest Expense
 For the Test Year Ended December 31, 2001
 (Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Customer Deposits Per Staff	\$ (1,317)	(1)
2	Customer Deposits Per Company	<u>(1,504)</u>	(2)
3	Adjustment to Rate Base	<u><u>\$ 187</u></u>	(3)

(1) Source: ICC Staff Exhibit 1, Schedule 1.10, page 2 of 4, column (b), line 15.

(2) Source: Company Schedule B-5.2, page 3 of 6, line 12, column (c).

(3) Source: Line 1 less line 2.

Central Illinois Light Company
Adjustment to Customer Deposits and Related Interest Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Month	Amount	Source
	(a)	(b)	(c)
	<u>Calculation of Customer Deposits - Gas</u>		
1	December, 2000	\$ 1,244	(2)
2	January, 2001	1,259	(1)
3	February, 2001	1,279	(1)
4	March, 2001	1,285	(1)
5	April, 2001	1,293	(1)
6	May, 2001	1,261	(1)
7	June, 2001	1,243	(1)
8	July, 2001	1,262	(1)
9	August, 2001	1,289	(1)
10	September, 2001	1,352	(1)
11	October, 2001	1,393	(1)
12	November, 2001	1,452	(1)
13	December, 2001	1,504	(1)
14	Total	<u>\$ 17,116</u>	The sum of lines 1 through 13.
15	13-Month Average	<u><u>\$ 1,317</u></u>	Line 14 divided by 13 months.

(1) Source: Company Schedule B-5.2, page 3 of 6, column (c).

(2) Source: Company response to ICC Data Request CIL-012, page 1 of 1, line 12, column (c), multiplied by 50% allocated to gas, in accordance with Company Schedule B-5.2, page 3 of 6, column (c).

Central Illinois Light Company
Adjustment to Customer Deposits and Related Interest Expense
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Interest on Customer Deposits Per Staff	\$ 20	(1)
2	Interest on Customer Deposits Per Company	-	(2)
3	Proposed Staff Adjustment	<u>\$ 20</u>	(3)

- (1) Source: ICC Staff Exhibit 1, Schedule 1.10, page 4 of 4, line 13, column (e).
(2) Source: Company Schedule B-5.2, page 3 of 6 calculates average interest of \$27 on line 14, column (d); however, no amount was included in test year operating expense by the Company.
(3) Source: Line 1 less line 2.

Central Illinois Light Company
Adjustment to Customer Deposits and Related Interest Expense
For the Test Year Ended December 31, 2001
(Thousands)

<u>Calculation for Interest on Customer Deposits</u>					
Line No.	Month	Amount (1)	Interest Rate (2)	Interest Amount	Monthly Interest
	(a)	(b)	(c)	(d) (bxc)	(e)
1	January, 2001	1,259	1.50%	19	\$ 2
2	February, 2001	1,279	1.50%	19	2
3	March, 2001	1,285	1.50%	19	2
4	April, 2001	1,293	1.50%	19	2
5	May, 2001	1,261	1.50%	19	2
6	June, 2001	1,243	1.50%	19	2
7	July, 2001	1,262	1.50%	19	2
8	August, 2001	1,289	1.50%	19	2
9	September, 2001	1,352	1.50%	20	2
10	October, 2001	1,393	1.50%	21	2
11	November, 2001	1,452	1.50%	22	2
12	December, 2001	1,504	1.50%	23	2
13	Total	<u>\$ 15,872</u>		<u>\$ 238</u>	<u>\$ 20</u>

(1) Source: ICC Staff Exhibit 1, Schedule 1.10, page 2 of 4, lines 2 through 13, column (b).

(2) Source: Illinois Commerce Commission Resolution 02-0835, dated December 11, 2002.

Central Illinois Light Company
 Adjustment to Budget Payment Plan Balances
 For the Test Year Ended December 31, 2001
 (Thousands)

Line No.	Description	Amount	Source
	(a)	(b)	(c)
1	Budget Payment Plan Balances Per Staff	\$ 545	(1)
2	Budget Payment Plan Balances Per Company	<u>561</u>	(2)
3	Adjustment to Rate Base	<u><u>\$ (16)</u></u>	(3)

(1) Source: ICC Staff Exhibit 1, Schedule 1.11, page 2 of 2, column (b), line 15.

(2) Source: Company Schedule B-5.2, page 4 of 6, line 15, column (c).

(3) Source: Line 1 less line 2.

Central Illinois Light Company
Adjustment to Budget Payment Plan Balances
For the Test Year Ended December 31, 2001
(Thousands)

Line No.	Month (a)	Amount (b)	Source (c)
	<u>Calculation of Budget Payment Plan Balances - Gas</u>		
1	December, 2000	\$ 350	(1)
2	January, 2001	3,008	(1)
3	February, 2001	4,504	(1)
4	March, 2001	4,801	(1)
5	April, 2001	4,042	(1)
6	May, 2001	2,691	(1)
7	June, 2001	2	(1)
8	July, 2001	(26)	(1)
9	August, 2001	(353)	(1)
10	September, 2001	(1,229)	(1)
11	October, 2001	(2,393)	(1)
12	November, 2001	(3,759)	(1)
13	December, 2001	(4,557)	(1)
14	Total	<u>\$ 7,081</u>	(2)
15	13-Month Average	<u><u>\$ 545</u></u>	(3)

(1) Source: Company Schedule B-5.2, page 4 of 6, lines 1 through 13, column (c).

(2) Source: The sum of lines 1 through 13.

(3) Source: Line 14 divided by 13 months.